



COTTAGE /RESIDENTIAL SITE LEASE

JOHN DOE

No. R-0000

This lease agreement is made and entered into by and between the State of Idaho, acting through the State Board of Land Commissioners (LESSOR) and JOHN DOE, 1234 MAIN STREET, BOISE, IDAHO 88888 (LESSEE), collectively referred to herein as the "Parties." In consideration of the mutual covenants and conditions contained herein, the Parties agree as follows:

This lease shall commence **JANUARY 1, 2008**, and terminate **DECEMBER 31, 2018**, unless terminated earlier as provided in this lease.

The LESSOR does hereby lease and demise unto the LESSEE, at the rate and for the use specified herein, the lands described as follows (hereinafter referred to as the "leased premises"): T00N, R0E, Section 0, Lot 0 in Govt. Lot 0, Bonner County.

Inconsideration of the foregoing, the covenants, restrictions and conditions in the attached, herein incorporated by reference as Attachment A, are hereby agreed to by LESSEE and LESSOR.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed the day and year first above written.

IDAHO STATE BOARD OF LAND COMMISSIONERS

Secretary of the State of Idaho

By _____
President of the State Board of Land Commissioners
and Governor of the State of Idaho

Director Department of Lands

STATE OF IDAHO, COUNTY OF ADA

On this _____ day of _____, in the year 2007, before me, a Notary Public in and for said State, personally appeared C. L.. "Butch" Otter, known to me to be the president of the State Board of Land Commissioners of the State of Idaho and the Governor of the State of Idaho; and Ben Ysursa, known to me to be the Secretary of the State of Idaho and George B. Bacon, known to me to be the Interim Director, that executed the within instrument, and acknowledged to me that the State Board of Land Commissioners of the State of Idaho and the State of Idaho executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year last above written.

Notary Public for Idaho

Residence

Commission Expires

LESSEE AND NOTARY SIGNATURES

(LESSEE)

(LESSEE)

STATE OF _____ COUNTY OF _____

On this _____ day of _____ in the year _____, before me a Notary Public in and for said State, personally appeared _____, known to me to be the LESSEE that executed the within instrument, and acknowledged to me that that executed same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year last above written.

Notary Public

Residence

Commission Expires

STATE OF IDAHO
Department Of Lands
RESIDENCE SITE LEASE
ATTACHMENT A

A. DEFINITIONS

- 1.1 Definitions.** For purposes of this Lease, the following definitions shall apply:
- 1.1.a.** The word “**abandonment**” shall mean the relinquishing of all interests in property including, but not limited to, real property, improvements, fixtures, or personal property with no intention to reclaim or reuse.
 - 1.1.b.** The phrase “**approved improvements**” shall mean those improvements that have been erected with the consent of the State Board of Land Commissioners and such other agencies or departments of the State of Idaho as are required to give consent hereunder. Non-approved improvements in existence at the time of execution of this Lease that otherwise would be permitted by LESSOR, shall be treated as approved improvements under this Lease.
 - 1.1.c.** The word “**commercial**” shall mean any use of the leased premises for profit including, but not limited to, rental of the leased premises to third parties for more than fourteen (14) days a year, and any rental through a management company or service.
 - 1.1.d.** The word “**improvement(s)**” shall mean buildings or other relatively permanent structures, additions, or developments located on, or attached to, the leased premises including, but not limited to, buildings, garages, fences, sheds, homes, driveways and decks.
 - 1.1.e.** The phrase “**leased premises**” or “**residence site**” shall mean: That particularly described parcel of state endowment land owned by the State of Idaho in fee simple and which has been made available to private individuals through this Lease for the purpose of constructing and maintaining a residence.
 - 1.1.f.** The word “**LESSOR**” shall mean the State Board of Land Commissioners and Idaho Department of Lands.
 - 1.1.g.** The phrase “**non-approved improvements**” shall mean such improvements as have been erected without the consent of the State Board of Land Commissioners and the consent of such other agencies or departments of the State of Idaho. All non-approved improvements shall be subject to removal upon notice by LESSOR.
 - 1.1.h.** The word “**residence**” shall mean permanent improvements owned by a LESSEE which are placed on a residence site with the consent of LESSOR including, but not limited to, any improvement used as a dwelling for owner occupancy only and not for commercial property. Mobile homes, motor homes, and trailers shall not be considered a residence for purposes of this Lease. Provided, however, mobile homes that conform to state building codes and that are mounted on a permanent foundation with wheels removed shall be considered a residence..
 - 1.1.i.** The word “**valuation**” shall mean the process of estimating the market value of a specific parcel of endowment land as of a given date. Valuation is a term used interchangeably with appraisal. A valuation may be done by a qualified employee of LESSOR, a county assessor’s office, an MAI appraiser or SRI appraiser, at the sole discretion of the LESSOR.
 - 1.1.j.** A “**hazard tree**” shall mean a tree with structural defects likely to cause failure of all or part of the tree, which could strike an approved improvement.

- 1.1.k. The “IDL transaction rate” shall be equal to the average monthly rate for conventional mortgages as quoted in the federal review statistical release, rounded to the nearest one-quarter percent on the tenth of the month following a statistical release.

B. USE OF PREMISES

- 1.1 **Residential Use Only.** The leased premises and any improvements thereon shall be used by LESSEE solely for residential purposes. Provided, however, short term seasonal rental for no more than fourteen (14) days each calendar year shall be allowed, and may occur without prior consent of LESSOR.
- 1.2 **All Other Uses Prohibited.** No other uses shall be made of the leased premises or improvements by LESSEE without prior written approval of LESSOR. In no event shall the leased premises be devoted to any business or commercial use, nor shall any enterprise of a commercial nature be permitted to exist thereon. The use of a management company or other entity to market and manage the leased premises as a rental is prohibited.

C. LEASE TERM/RENEWAL

- 1.1 **Provided by Statute.** The term of this Lease shall be for the period of years as set forth in the attached cover, but for no more than ten (10) years pursuant to Idaho Code (I.C.) § 58-307(1). Renewals of this Lease may be granted by LESSOR as determined by LESSOR at LESSOR'S discretion pursuant to I.C. § 58-310A.
- 1.2 LESSEE shall have the option to maintain the current lease through 2017, or to sign a new ten year lease effective January 1, 2011. The new lease will contain lease terms consistent with other Priest Lake cottage sites renewed in 2011. This decision to exercise the option to enter a new lease to be effective beginning January 1, 2011, shall be made in writing by LESSEE and must be received by LESSOR no later than November 1, 2010.

D. RENTAL RATE

- 1.1 **Annual Rent Formula.** The annual rent shall be calculated using the following formula:
- Annual Rent = Lease Multiplier x Appraised Value**
- 1.1.a **Lease Multiplier.** The lease multiplier will be 5% and remain unchanged for the first five years of this Lease.
- 1.1.b **Appraised Value.** The leased premises will be appraised at least every five (5) years. The valuation will be done by an independent licensed appraiser hired by LESSOR. All valuations shall be administered and controlled by LESSOR, and all appraisers shall use appraisal instructions provided by LESSOR. LESSOR reserves the right to accept or reject any valuation at its discretion and select another independent appraiser.
- 1.2 **Rental Payment.** The rent shall be payable in advance on or before January 1 of each year or, in the alternative, LESSEE may pay rent in two installments with one-half (½) rent due on or before January 1 and one-half (½) rent due on or before June 1. LESSEE shall pay the annual rental to LESSOR without abatement, offset, or deduction of any kind.
- 1.3 **Rent Subject to Change.** LESSOR reserves the right to appraise the leased premises at any time, and to increase or decrease the rent to be paid by LESSEE effective on January 1 of any calendar year, in accordance with the rental rate formula set forth herein. LESSEE shall be notified in writing one hundred and eighty (180) calendar days in advance of any increase in rental.
- 1.4 **Late Payment Charge.** If annual rental is not paid in full by the date it is due, LESSOR may declare a default and terminate the Lease upon thirty (30) days written notice to LESSEE. In addition, in the event any rent due hereunder is not paid in full when due, LESSEE shall pay, in

addition to such rent, a late charge in the first calendar month of such delinquency the amount of TWENTY-FIVE DOLLARS (\$25.00) or ONE PERCENT (1%) of the unpaid rent, whichever is greater. For each subsequent calendar month of such delinquency, LESSEE shall pay an additional late charge equal to ONE PERCENT (1%) of the then unpaid rent, plus interest. The parties acknowledge and agree that the late charge described herein is a reasonable attempt to estimate and to compensate LESSOR for higher administration costs associated with administering such late payments and is not intended as a penalty. By assessing this late charge, LESSOR does not waive any right to declare a breach and to pursue any right or remedy available to LESSOR by reason of such breach, after expiration of any applicable notice or cure period.

1.4.a. Extensions of Time to Pay. LESSEE may make application to extend the time for paying rent in accordance with the then existing statutes, rules and policy applicable to state endowment lands. If an extension is requested and approved by LESSOR before the deadline for paying rent, then LESSEE shall not be required to pay a late payment fee, but shall be required to pay interest, in addition to such rent, at the then existing rate established by LESSOR.

1.5 Hardship Claim. The Land Board has adopted a Hardship Claim Policy that allows a Lessee with a demonstrated undue financial hardship an opportunity to defer rental increases for a period of up to two (2) years to allow sufficient time to arrange for sale or assignment of the Lease or leased premises. Any amounts deferred under this policy, plus interest, shall be paid to LESSOR upon sale or assignment of the Lease or leased premises, or upon the expiration of the deferment period. The Hardship Claim Policy was adopted and approved by the Land Board on December 15, 1998. Said policy is attached as Attachment B and is incorporated by reference herein.

1.6 Lien. The amount of the unpaid rent, late charge, and interest shall be a lien on LESSEE'S improvements and other property on the leased premises.

1.7 Appeal of Lot Valuation. Upon valuation of the leased premises, LESSEE shall have the right to appeal the valuation to the Idaho Department of Lands in accordance with Attachment C. If LESSEE is aggrieved by any final decision regarding the leased premises valuation made by LESSOR, LESSEE may, after exhausting the administrative appeal procedures, file a petition for judicial review pursuant to the Idaho Administrative Procedures Act. LESSEE must timely pay the full rent amount, along with any late fees and interest, if any, while any appeal is pending including, but not limited to, administrative or judicial appeal proceedings.

E. SUBLEASING OR ASSIGNMENT

1.1 Subleasing And Assignment Generally.

1.1.a. No Sublease Without Consent. LESSEE shall neither sublease all or any part of the leased premises of LESSEE'S interest under this Lease, nor assign this Lease, nor take out a mortgage or deed of trust without first having obtained the written consent of LESSOR or its authorized agent, which consent shall not be unreasonably withheld.

1.1.b. Necessary Forms. Any request for approval of a sublease, assignment, mortgage, or deed of trust must be in writing on forms provided by LESSOR and accompanied by a FIFTY DOLLAR (\$50.00) processing fee. Any attempt by LESSEE to sublease LESSEE'S interest in the leased premises or any part of the leased premises or to assign this Lease or to take out a mortgage or deed of trust, shall be void and shall constitute a breach of this Lease, unless LESSOR has given such prior written consent, which consent shall not be unreasonably withheld.

1.1.c. Good Standing Required. No request for LESSOR'S approval of any assignment or sublease will be considered unless all rent due, late payment fees, and interest has been paid in full, and LESSEE is in good standing under the terms of the Lease.

1.1.d. LESSEE Owned Improvements. Upon approved sublease or assignment, ownership of any existing LESSEE owned improvements under this Lease must be separately

negotiated between LESSEE and such sublessee or assignee, provided however, ownership of any such improvements which remain on the leased premises after assignment of this Lease shall be treated by LESSOR as being owned by such assignee for purposes of any payments for improvements to be made under this Lease, including payments under paragraph K.1.4.c. below.

- 1.1.e. Sublease Subject To Terms.** Any sublease or assignment shall be subject to the terms and provisions of this Lease. Sublease or assignment agreements shall include provisions that the sublessee or assignee shall abide by all terms of this Lease. LESSOR may impose additional requirements as a condition of approving any sublease or assignment request.
- 1.1.f. Specific Transaction Only.** Any consent by LESSOR herein contained or hereafter given to any act or any sublease, assignment, mortgage, pledge, or encumbrance, shall be held to apply only to the specific transaction hereby or thereby approved.

1.2 Subleasing.

- 1.2.a. No Release.** No sublease shall act as a release of LESSEE'S obligations hereunder unless LESSOR executes a separate written release of LESSEE. LESSOR has no obligation to release LESSEE, and LESSOR may withhold such release at LESSOR'S sole discretion.

1.3 Assignment.

- 1.3.a. No Release.** No assignment shall act as a release of LESSEE'S obligations hereunder unless LESSOR executes a separate written release of LESSEE. LESSOR has no obligation to release LESSEE, and LESSOR may withhold such release at LESSOR'S sole discretion. Assignments of this Lease must be done on forms provided by LESSOR.
- 1.3.b. Premium Rent.** Upon sale or assignment of the Lease by LESSEE, LESSEE shall pay to LESSOR a percentage, as set by the most recent of the IDAPA 20.03.13.027 or Land Board policy, of the leasehold value at the time of the sale or assignment. The leasehold value shall be determined by subtracting the value of approved LESSEE-owned improvements sold from the total sale price. LESSEE shall have the option to determine the value of improvements by using the county assessed valuation of improvements or by paying for a LESSOR-administered appraisal of improvement value.
- 1.3.c. Proof of Assignment.** In cases of assignment due to sale of LESSEE'S interest, LESSEE must provide to LESSOR one copy of the purchase agreement or contract of sale signed and acknowledged by the buyer (assignee) and seller (assignor). In the case of assignment without a sale, appropriate documentation must be provided to LESSOR establishing that the Lease should be assigned. This may include, but not be limited to, a letter from LESSEE indicating the transfer of the Lease as a gift; a divorce decree; a copy of will or probate order. LESSOR may require additional proof as necessary.

1.4 Mortgage/Deeds of Trust.

- 1.4.a. No Mortgage Without Consent.** LESSEE shall not mortgage, pledge or otherwise dispose of any interest in the Lease or the improvements without first obtaining the written consent of LESSOR, on forms provided by LESSOR. Copies of any such mortgage, deed of trust, or other document reflecting any such transaction must be filed with LESSOR.
- 1.4.b. Mortgage Subject To Terms.** Any mortgage, deed of trust or other similar transaction approved by LESSOR shall be subject to all of the covenants, conditions, and restrictions set forth in this Lease, and in addition, shall be subject to all rights and interests of LESSOR. . (Refer to Section L.1.1)

F. ENVIRONMENTAL, SAFETY AND SANITARY REQUIREMENTS

- 1.1 No Hazardous Materials.** LESSEE shall neither commit nor permit the use, placement, transport or disposal of any hazardous waste, including petroleum products, such as oil, gasoline, or any other substance that is or is suspected to be a hazardous substance or material, not including the following materials kept for LESSEE'S own residential use and only in small quantities: gasoline for uses such as lawnmowers, kerosene, heating oil, propane tanks or other commercial sources of heating. LESSEE shall be responsible and shall pay all costs for the removal or taking other appropriate remedial action regarding any hazardous waste, substances, or materials which LESSEE may have caused to be introduced on the leased premises. Any such remediation or removal or storage must be conducted in accordance with applicable federal, state, or local law, regulation, rule or ordinance, and LESSEE shall immediately, upon the introduction of any hazardous waste, substances or materials onto the leased premises, contact the Idaho Department of Environmental Quality (DEQ), provided however, LESSEE shall not forestall commencing any necessary remediation while negotiating the terms of any consent order with DEQ, unless LESSEE is so authorized in writing by LESSOR. LESSEE shall indemnify, defend and hold LESSOR harmless from all costs, expenses, damages or fines relating to pollution and hazardous materials including, without limiting the generality of the foregoing, attorney fees and costs of defense or of enforcement of LESSOR'S rights hereunder.
- 1.2 Fire and Safety Regulations.** LESSEE shall comply with all applicable federal, state and local laws, rules, regulations and ordinances including, but not limited to, those of the Idaho Department of Lands for fire protection and prevention, and shall at all times observe reasonable precautions to prevent fire on the leased premises. LESSEE agrees to keep the leased premises free from fire hazards. Firewood storage shall be confined to one location, away from the recreational residence. Roofs shall be kept clear of all debris and needles on a regular basis to minimize fire hazard. LESSEE is prohibited from burning garbage or household trash. Any burning on the leased premises, including the burning of wood, weeds or other debris, but excepting simple campfires necessary for the use under this Lease, requires the prior written permission of LESSOR. Any burning must comply with applicable federal, state or local law, regulation, rule or ordinance. Barbecue devices, designed for use out of doors are permitted.
- 1.3 Sanitary Requirements.** LESSEE shall at all times keep the leased premises in a clean and sanitary condition, free of trash, garbage and litter so the leased premises are maintained in the same or better condition as when this Lease was issued. LESSEE shall not dispose of sewage except in conformity with applicable federal, state, and local law, rules and regulations pertinent to LESSEE'S use, and shall dispose of sewage on the leased premises only if specifically authorized by LESSOR and the local governmental entity having jurisdiction over such matters. LESSEE shall not store, dispose of, or otherwise maintain trash, garbage, litter, unused or discarded household items, or unlicensed or abandoned vehicles, boats or trailers on the leased premises and shall dispose of all such trash, garbage or other items in conformity with all legal requirements, and at a place designated by LESSOR or its authorized agent. LESSEE is responsible for all costs associated with sewage, garbage and litter disposal. LESSOR may require LESSEE to furnish a certificate or other satisfactory proof of compliance with such laws and regulations.

G. NO WARRANTY OF SUITABILITY; QUIET ENJOYMENT

- 1.1 No Warranty.** LESSEE acknowledges that neither LESSOR, nor any agent of LESSOR has made any representation or warranty with respect to the leased premises or concerning the suitability of the leased premises for the uses intended by LESSEE. LESSEE acknowledges that it has accepted the leased premises in an AS IS CONDITION, accepting any and all known and unknown faults therein.
- 1.2 Quiet Enjoyment.** LESSOR agrees that LESSEE, upon payment of the rent and performing the terms of this Lease, may quietly have, hold and enjoy the leased premises, for the purposes and uses allowed hereunder, during the term hereof. LESSEE acknowledges that the Lease is non-exclusive, and LESSOR retains the right to use of the leased premises, or to grant rights to others for use of the leased premises, or to authorize the public to use the leased premises, to the extent any such use is not incompatible with LESSEE'S purpose and uses allowed hereunder.

- 1.3 Use Limited To Site.** LESSEE shall confine all personal property, vehicles, and pets to the recreational residence site. No encroachment onto adjacent property, whether state land or another residence site, will be permitted.

H. WATER DEVELOPMENT

- 1.1 Water Development.** LESSEE shall be entitled to water for domestic purposes only insofar as natural springs, streams, lakes, existing wells or water systems serving the leased premises are capable of supplying the same and are not subject to a prior right or claim. LESSEE shall neither drill and use a water well nor develop and use any source of water without the prior written consent of LESSOR or its authorized agent, plus the prior written consent of any department or agency of the State of Idaho having jurisdiction to regulate water rights in this state. All water rights with respect to the leased premises shall be taken in the name of the State of Idaho. LESSEE shall not cause any water to be conveyed off the leased premises without prior written approval of LESSOR.
- 1.2 Water Systems.** If water is supplied to the leased premises by a water system operated by the State of Idaho, the use of such system and the supply of water provided thereby may be abandoned or terminated upon thirty (30) calendar days written notice to LESSEE from LESSOR or its authorized agent. Neither LESSOR nor its agents and employees nor any entity of the State of Idaho shall be liable in any manner for damage or inconvenience to LESSEE by reason of failure of, damage to, or termination or abandonment of the operation of any water system or source supplying water to the leased premises.

I. LANDCAPING AND REMOVAL OF VEGETATION

- 1.1 LESSOR Consent Required.** LESSEE shall neither landscape the leased premises nor remove any vegetation, including trees, therefrom without prior written consent of LESSOR or its authorized agent. Provided, however, existing grass and vegetated areas may be mowed, trimmed, weeded, and irrigated to produce a managed appearance. Expansion of lawn areas is discouraged, as is formal suburban landscaping. The use of native species of plants and trees is encouraged, and existing native vegetation should be retained wherever possible. The residences and sites shall be maintained to reduce fire hazards and to provide a natural, but managed appearance. Felling of hazard trees on the residence site is the responsibility of LESSEE. At LESSEE'S request, LESSOR will identify, mark and authorize removal of hazard trees. However, LESSEE shall take immediate action to remove any hazardous tree that poses immediate danger to life or property without contacting LESSOR.

J. NOXIOUS WEEDS

- 1.1 LESSEE Obligations.** LESSEE shall cooperate with LESSOR or any other agency authorized to undertake programs for control or eradication of noxious weeds. LESSEE shall take measures to control noxious weeds on the leased premises in accordance with Title 22, Chapter 24, Idaho Code.

K. CONSTRUCTION OF IMPROVEMENTS

- 1.1 Construction of Improvements/Prior Consent of LESSOR Required.**
- 1.1.a. Generally.** Without having secured the prior written consent of LESSOR, plus the prior written consent of any other department or agency of the State of Idaho having jurisdiction under the circumstances, LESSEE or his agents, shall not erect any structure or improvement including roads on the leased premises; shall not place or build any dock, piling, quay, mooring device or boathouse in or on the water frontage, if any, adjacent to the leased premises; shall not place any houseboat in the water, if any, adjacent to the leased premises; and, shall not make any excavations in, fills upon or alterations of any lake or stream bed, if any, adjacent to the leased premises.
- 1.1.b. Procedures To Obtain LESSOR'S Consent.** LESSEE may construct improvements upon the leased premises under limited circumstances, and only when consent has been

granted by LESSOR in accordance with this Lease. LESSEE must first obtain the prior written consent of LESSOR or LESSOR'S designee. LESSEE must furnish a complete set of construction plans and an accurate plot plan of all proposed improvements contemplated by LESSEE and submit those plans and drawings to LESSOR or LESSOR'S designee. Once the construction plans are approved and permitted by LESSOR, then LESSEE shall construct the improvements in full compliance with the approved plans and all applicable building codes, rules and laws. Consent is not required for ordinary maintenance and repairs to existing approved improvements as needed from time to time. Provided, however, the replacement of an improvement shall require consent and compliance with the procedures set forth herein.

1.1.c. Non-approved Improvements. Any structures, buildings, or improvements of any kind whatsoever constructed, placed, erected or caused to come into existence without such prior written consent shall be subject to immediate removal by LESSOR or its authorized agent, the cost of such removal or abatement to be charged to LESSEE and to remain a debt of LESSEE to LESSOR until the same is paid; provided, that the failure of LESSOR to remove or abate or to cause removal or abatement of the same shall in no way be deemed a waiver of LESSOR'S right to remove or abate the same. LESSOR, at LESSOR'S sole discretion, may require LESSEE to remove any improvement or structure placed on the leased premises in violation of this Lease.

1.1.d. Improvements Below The Ordinary High Water Mark. Any docks, pilings, quays, mooring devices, boathouses, houseboats, fills, alterations or encroachments of any kind below the ordinary high water mark of the lake shall require a lake encroachment permit from the Idaho Department of Lands, pursuant to the Idaho Lake Protection Act, I.C. §§ 58-1301, *et seq.*, and the common law Idaho Public Trust Doctrine. See, I.C. §§ 58-1201, *et seq.* It shall be the responsibility of LESSEE to secure any lake encroachment permit through the normal administrative process of the Department of Lands. This Lease shall not in any way be construed as consent or entitlement to any such permit or encroachment.

1.2 Cost of Improvements. Any improvement constructed by or at the request of LESSEE, shall be constructed at LESSEE'S own expense unless LESSOR and LESSEE shall have entered into a prior written cost sharing agreement for construction of such improvement.

1.3 Other Requirements.

1.3.a. Setbacks. Construction standards and setbacks shall be in accordance with adopted policy of the Idaho Department of Lands.

1.3.b. Fences. Fences or gates on the leased premises will not be permitted except by special permission from the Director of the Idaho Department of Lands and then only to prevent encroachment from private lands.

1.4 Treatment of Improvements Upon Lease Expiration, Termination, Cancellation, or Abandonment

1.4.a. Upon Default By LESSEE. Upon the default of LESSEE of any of the terms of the Lease, LESSOR may remove such approved or non-approved improvements and charge the cost of removal and restoration to LESSEE, the same to remain a debt of LESSEE to LESSOR until paid. LESSEE shall be responsible for all costs associated with the removal of the improvements including, but not limited to, the cost of removal and restoration of the leased premises. LESSEE shall also be responsible for all collection costs including attorney fees and interest. In the alternative to removal of the improvements upon default by LESSEE, LESSOR may require LESSEE to remove any approved or non-approved improvements at LESSEE'S sole cost and expense.

1.4.b. Upon Non-Renewal By LESSOR. Should LESSEE apply to renew this Lease in the manner provided by law and such application be denied, then LESSOR shall purchase the approved improvements placed or caused to be placed on the leased premises by

LESSEE at the fair market value of such improvements as of the effective date of expiration. LESSOR may allow LESSEE to remove any approved or non-approved improvements at LESSEE'S sole cost and expense. Fair market value of LESSEE improvements shall be established by appraisal by an appraiser selected by LESSOR. A request for renewal by LESSEE shall not be unreasonably withheld.

1.4.c. Upon Leasing To New LESSEE. Upon expiration or termination of this Lease for any reason, other than a default or abandonment by LESSEE, in the event LESSOR leases the leased premises to a new Lessee, LESSOR shall require the new LESSEE to pay LESSOR the value of the improvements determined through an appraisal conducted by LESSOR that determines the current value of the improvements. Improvement payments shall be first applied towards any rent or other monies due LESSOR before being disbursed to LESSEE. LESSOR does not hereby agree or become obligated to pay any such value to LESSEE, such obligation shall be solely on the subsequent LESSEE, if any. The new Lessee shall make the payment described above on or before the time of the execution of the lease.

1.4.d. Non-approved Improvements. Non-approved improvements that are constructed on the leased premises shall be considered a breach of this Lease. Any improvements that are not approved by LESSOR shall be removed by LESSEE at LESSEE'S sole cost and expense. Upon the expiration of the lease term, if non-approved improvements remain on the leased premises, then LESSOR may remove such non-approved improvements and charge the cost of removal and restoration to LESSEE, the same to remain a debt of LESSEE to LESSOR until paid. LESSEE shall be responsible for all costs associated with the removal of all non-approved improvements including, but not limited to, the cost of removal and restoration of the leased premises. LESSEE shall also be responsible for all collection costs including attorney fees and interest.

1.4.e. Upon natural expiration with no application to renew. In the event this Lease expires without LESSEE having made application to renew, LESSOR shall have the right to require LESSEE to remove all approved and non-approved improvements placed or caused to be placed upon the leased premises by LESSEE, and to require LESSEE to restore the leased premises to as nearly as is reasonably practical to its natural condition, all at LESSEE'S sole cost and expense, or, at LESSOR'S option, LESSOR may purchase any such improvements from LESSEE at the fair market value of the same as of the date of expiration.

1.4.f. Abandonment and Forfeiture of Improvements and Personal Property. Should any improvement ~~or personal property of LESSEE be~~ abandoned, such abandoned improvements and personal property placed upon the leased premises by LESSEE may be removed by LESSOR at LESSEE'S sole cost and expense, such to be a debt of LESSEE to LESSOR until paid. In the event of abandonment, such improvements and/or personal property so abandoned shall be forfeited to LESSOR, and LESSEE shall not be entitled to any payment therefor, either by LESSOR or any subsequent LESSEE. LESSOR may allow succeeding LESSEES to purchase any abandoned improvements or personal property at fair market value.

1.5 LESSOR'S Right of Sale or Exchange and Disposition of Improvements. In the event of a sale or exchange by LESSOR of all or any portion of the leased premises during the term of this Lease pursuant to the rights reserved by LESSOR under paragraph N.1.1.h hereof, LESSEE hereby covenants to deliver immediate possession of the leased premises so sold or exchanged unto LESSOR, or to the person or party as may be specified in writing by LESSOR or LESSOR'S designee. In the event of such sale or exchange by LESSOR, LESSEE shall have the rights provided by I.C. §58-313, with respect to approved improvements placed upon the leased premises by LESSEE; provided that LESSEE shall not be entitled to compensation with respect to any non-approved improvements made or erected upon the leased premises; and provided further that any obligation to make any payment to LESSEE for approved improvements shall be offset by any and all reasonable costs necessary to remove any and all non-approved improvements by LESSEE.

L. NO LIENS

- 1.1 Liens Prohibited.** LESSEE shall ensure that full payment is made for any and all materials joined or affixed to the leased premises pursuant to this Lease and for any and all persons who perform labor on the leased premises. LESSEE will not permit or suffer any liens, including any mechanics' liens or material suppliers' liens, of any kind or nature to be effected on or enforced against the leased premises for any work done or materials furnished on the leased premises during the term of this Lease.

M. INSURANCE

- 1.1 LESSEE's Insurance.** LESSEE shall obtain insurance of the types and in the amounts described below.
- 1.1.a. Homeowner's 3 (HO3) its equivalent or better and Umbrella. Liability Insurance. LESSEE shall maintain a Homeowner's 3, its equivalent or better, and, if necessary, umbrella liability insurance with a combined limit of not less than one million dollars (\$1,000,000.00).
- 1.1.a.i. The Homeowner's insurance and umbrella liability insurance shall be in a form and from an insurance company satisfactory to LESSOR and shall cover liability for bodily injury, property damage and personal injury, arising from LESSEE's use and/or occupation of the leased premises.
- 1.1.a.ii. The Homeowner's insurance shall include coverage for the replacement cost of the real property and all improvements located on the premises. LESSOR is entitled to acquire the improvements constructed on the real property, upon termination or expiration of the Lease, and LESSOR shall be included as a loss payee to the extent of its interest in the improvements.
- 1.1.b. **Other Insurance.** LESSEE shall purchase insurance to cover LESSEE's personal property.
- 1.2 LESSEE's Insurance Policy Requirements.**
- 1.2.a. **Evidence of Insurance.** All insurance required under this Lease shall be with companies licensed and admitted in Idaho and approved for this Lease by LESSOR. LESSOR'S general requirements for such approval includes a Best's rating of A- or better. Prior to taking occupancy or commencing construction and at least annually thereafter, LESSEE shall furnish LESSOR with a certificate of insurance executed by a duly authorized representative of each insurer, and a copy of any applicable policy or policy endorsement showing compliance with the insurance requirements set forth above. All policies required under this Article shall be written as primary policies and not contributing to, nor in excess of, any coverage LESSOR may choose to maintain.
- 1.2.a.i. All certificates shall provide for thirty (30) days written notice to LESSOR prior to cancellation or material change of any insurance referred to therein.
- 1.2.a.ii. Failure of LESSOR to demand such certificate or other evidence of full compliance with these insurance requirements or failure of LESSOR to identify a deficiency from evidence that is provided shall not be construed as a waiver of LESSEE's obligation to maintain such insurance.
- 1.2.a.iii. Failure to maintain the required insurance may result in termination of this Lease at LESSOR'S option.
- 1.2.a.iv. If LESSEE fails to maintain the insurance as set forth herein, LESSOR shall have the right, but not the obligation, to purchase said insurance at LESSEE's expense.

- 1.2.a.v.** LESSEE shall provide certified copies of all insurance policies required above within ten (10) days of LESSOR'S written request for said copies.
- 1.2.b. No Representation of Coverage Adequacy.** By requiring insurance herein, LESSOR does not represent that coverage and limits will necessarily be adequate to protect LESSEE, and such coverage and limits shall not be deemed as a limitation on LESSEE's liability under the indemnities granted to LESSOR in this Lease.
- 1.2.c. Payment of Premiums.** LESSEE shall pay all policy premiums annually in advance, for each of the insurance policies required under the terms of this Lease. LESSEE shall deliver to LESSOR evidence of such payment in conjunction with each annual payment of this Lease, before the payment of any insurance premiums become in default. LESSEE shall also cause renewals of expiring policies to be written and the policies or copies thereof, as required by this Lease, to be delivered to LESSOR at least ten (10) days before the policies expiration dates.

N. RESERVATIONS BY LESSOR

- 1.1 Reservations.** LESSOR expressly reserves and excepts the following rights from the Lease:
- 1.1.a.** To enter upon the leased premises, or any portion thereof, during the term of this Lease for any purpose including the purpose of inspecting the leased premises. LESSEE shall permit inspection of the leased premises by an authorized agent of LESSOR at any reasonable time.
- 1.1.b.** All rights for timber, oil and gas, geothermal rights, mineral rights, easements and rights-of-way, fee title to the leased premises and title to all appurtenances and improvements placed thereon by LESSOR.
- 1.1.c.** To grant easements, rights-of-way, and leases over, under, across and upon the leased premises, providing said easements, rights-of-way, and leases do not conflict with the use of LESSEE or with the approved improvements installed and maintained or operated by LESSEE upon the leased premises. LESSOR shall coordinate with LESSEE before processing any easement, right-of-way or lease applications on the leased premises. This Lease is subject to any lease, right-of-way or easement previously granted over the leased premises.
- 1.1.d.** To require that changes be made in the use under this Lease, and/or to the improvements on the leased premises, including to the sanitation or other facilities, for the protection of public health, safety, preservation of property or water quality.
- 1.1.e.** To issue other leases for development of timber resources, for exploration and development of oil, gas, geothermal and mineral resources, and any other lease of the subject leased premises, so long as such other lease is for a higher and better use as determined by LESSOR, or such other lease does not materially interfere with the authorized use under this Lease. In the event any such lease is granted by LESSOR, and such lease materially impairs LESSEE'S use of any improvements constructed on the leased premises by LESSEE with prior written permit from LESSOR, this Lease shall be deemed terminated with respect to such improvement or improvements, and the provisions of section K.1.4 shall apply with respect to such improvement or improvements.
- 1.1.f.** To reserve as LESSOR'S sole property any and all water from any source arising on state land and to hold water rights for any beneficial use that may develop as a result of this Lease.
- 1.1.g.** Rights of access, ingress and egress over, under, across and upon the leased premises for LESSOR and its authorized agents and assigns over and across the leased premises including, but not limited to, on existing roads. Said rights of access, ingress and egress

may be for purposes of administration, for providing access to neighboring lots, or for any other purpose of LESSOR.

- 1.1.h. LESSOR reserves the right to sell or exchange all or any portion of the leased premises. LESSEE shall be notified of a scheduled sale or land exchange at least ninety (90) calendar days prior to any such sale or exchange date. The execution of this Lease by LESSEE constitutes LESSEE'S written agreement to any sale or land exchange as provided in I.C. § 58-138(3). In the event of such sale or exchange, LESSEE shall have the rights provided by I.C. § 58-313, with respect to approved improvements placed upon the leased premises by LESSEE; provided, that LESSEE shall not be entitled to compensation with respect to any non-approved improvements made or erected upon the leased premises; and provided further, that the cost or expense to remove any non-authorized improvements shall be deducted from any amount to be paid to LESSEE for any approved improvements. In the case of sale or exchange during the continuance hereof, LESSEE hereby covenants to deliver immediate possession of the leased premises so sold or exchanged unto LESSOR, or to the person or party as may be specified in writing by LESSOR or its authorized agent.
- 1.1.i. LESSOR reserves the right to close any road or change any access route to the leased premises for road protection, water quality protection, wildlife and fish protection, administrative purposes or any other reason deemed necessary or appropriate by LESSOR. Planned road closures will be reviewed with LESSEE prior to action by LESSOR. If an access road is closed permanently, other access will be provided to the leased premises. Temporary road closures may prevent, limit or restrict access for a period of time.

O. INDEMNIFICATION

- 1.1 **LESSEE Indemnification of LESSOR.** During the entire term of this Lease, LESSEE shall indemnify, defend and save harmless LESSOR, the State of Idaho, its officers, agents, respective affiliates, and employees from and against any and all liability, claims, damages, debts, demands, losses, costs, expenses, actions, obligations, judgments for damages, or injury to persons or property including, but not limited to, reasonable attorney's fees and costs caused by, or arising out of, or in connection with, any performance, act or omission of LESSEE, or LESSEE'S agents, officers, employees or any person claiming under, by, or through LESSEE under this Lease and/or arising out of the use or occupation of the leased premises by LESSEE, or LESSEE'S agents, officers or employees or any person occupying the same with LESSEE'S permission; or arising from LESSEE or LESSEE'S agents, officers or employees failure to comply with any applicable state, federal, local, law, statute, rule, regulation or act. This duty to indemnify, defend and save harmless shall encompass any claim which may include or allege negligence of LESSOR, its agents, officers or employees other than claims which arise solely out of negligence on the part of LESSOR; and this duty shall survive the termination or expiration of this Lease.
- 1.2 **Tort Claims Limits.** Provided that such indemnification right shall not be construed as absolving the State from responsibility for liability in damages arising under the Idaho Tort Claims Act, I.C. § 6-901, *et seq.*, for the conduct of its agents, officers or employees as set forth therein.
- 1.3 **Notice.** In the event of any such claims made or suit filed, LESSOR shall give LESSEE prompt written notice of such claims or suits, and LESSEE shall have the right to defend or settle to the extent of LESSEE'S interest under this Lease agreement.

P. PAYMENT OF TAXES, ASSESSMENTS OR FEES

- 1.1 **LESSEE Obligation.** Unless otherwise provided, LESSEE shall pay all water charges, fees, assessments or taxes of whatsoever nature that may be legally levied or assessed against the leased premises herein described, or any portion thereof or on any improvements thereto. If the same is not paid it shall constitute a lien in favor of the State of Idaho against all improvements on the leased premises.

Q. LESSEE'S DEFAULT

- 1.1 Upon Default.** LESSEE'S failure to comply with any of the terms of this Lease shall be a breach-giving rise to a basis for termination of the Lease. LESSEE'S violation of any Land Board or Department of Lands rules, regulations or state laws currently or hereafter adopted and applicable to this Lease or the leased premises, shall be a breach, giving rise to a further basis for termination of this Lease. LESSOR shall provide LESSEE thirty (30) calendar days written notice of any such breach or violation and, if applicable, the corrective action required of LESSEE. The notice shall specify a reasonable time to make a correction or cure the violation or breach, if such breach is subject to correction or cure.
- 1.2 Failure to Cure.** If the corrective action or cure is not taken within the specified time or does not occur, then LESSOR may, at LESSOR'S option, cancel the Lease effective on the date specified in the written cancellation notice. LESSEE shall not, while in default, remove any of the improvements. LESSEE agrees to relinquish possession of the leased premises upon breach of any of the conditions herein set forth, with all permanent improvements thereon in good order and condition when such breach results in cancellation or forfeiture of this Lease. In addition to the rights and remedies specifically granted to LESSOR under this Lease, LESSOR shall have such other rights and remedies as against LESSEE as may be available at law or in equity, and LESSOR'S pursuit of any particular remedy for breach or default shall not, in and of itself, constitute a waiver or relinquishment of any other available claim of LESSOR against LESSEE.

R. SURRENDER OF LAND

- 1.1 LESSEE Surrender.** LESSEE shall, at the termination or expiration of this Lease, vacate the leased premises, leaving it in the same or better condition than it was in at the time of LESSEE'S entry on such premises under this agreement, except for reasonable use and wear, acts of God, or damage by causes beyond the control of LESSEE, and upon vacating shall leave the demised leased premises free and clear of all rubbish and debris. Where applicable, LESSOR shall require that approved improvements constructed upon the Land shall be acquired by any new LESSEE pursuant to this Lease and the then existing applicable state law and rules.

S. RELATIONS OF THE PARTIES.

- 1.1 Parties Relationship.** LESSEE is not an officer, employee, or agent of LESSOR. LESSEE covenants that it will satisfy and hold LESSOR harmless against any lien, judgment, or encumbrance filed or made against the leased premises at LESSEE'S sole and separate cost or expense.

T. NOTICES

- 1.1 Time of Notice.** Any notice of breach given under the terms of this Lease shall be deemed given and delivered on the date when personally delivered or if mailed, the date same is deposited in the United States Mail, and mailed by registered or certified mail, return receipt requested, postage prepaid and properly addressed to the appropriate party.
- 1.2 Notice.** Any other notice or any demand given under the terms of this Lease shall be deemed given and delivered on the date when personally delivered or if mailed, the date same is deposited in the United States Mail, postage prepaid and properly addressed to the appropriate party.
- 1.3 Addresses For Notice.** Until changed by notice in writing, notice, demands, and communications shall be addressed to LESSOR at: Idaho Department of Lands 954 West Jefferson Street, Boise, ID 83702, and to LESSEE at the address set forth at the beginning of this Lease. It is LESSEE's responsibility to notify LESSOR of any change of address.

U. WAIVER

- 1.1 No Waiver.** The waiver by LESSOR of any breach of any term, covenant or condition of this Lease shall not be deemed to be a waiver of any past, present or future breach of the same or

any other term, covenant or condition of this Lease. The acceptance of rent by LESSOR hereunder shall not be construed to be a waiver of any violation of the term(s) of this Lease. No payment by LESSEE of a lesser amount than shall be due according to the terms of this Lease shall be deemed or construed to be other than a part payment on account of the most recent rent due, nor shall any endorsement or statement of any check or letter accompanying any payment be deemed to create an accord and satisfaction.

V. ATTORNEY'S FEES AND COSTS

- 1.1 Obligation to Pay.** In the event that either party to this agreement shall find it necessary to retain counsel (including LESSOR using the Office of the Attorney General of the State of Idaho), or to incur costs to interpret or enforce any of the provisions hereof including, but not limited to, any action at law or in equity, the prevailing party (as defined and interpreted under Idaho Rule of Civil Procedure 54) shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorney's fees (including, in the case of LESSOR, fees from the Office of the Attorney General of the State of Idaho), accountant's fees and fees of appraisers or other experts, incurred therein by the prevailing party, including all such costs and expenses incurred with respect to any appeal and such may be included in any judgment entered in any action. No attorney's fees or costs shall be paid by either party for administrative appeal proceedings brought under this Lease and in accordance with Land Board procedures.
- 1.2 Additional Obligation.** In addition, in the event LESSEE fails to perform any act or do anything which LESSEE is required to do under the terms of this Lease, LESSOR shall have the right, but not the obligation, to perform on behalf of LESSEE, any such action and LESSEE shall immediately reimburse LESSOR for all costs and expenses, including attorney fees, (including fees from the Office of the Attorney General of the State of Idaho), incurred by LESSOR in performing such act or thing. LESSEE'S obligation hereunder shall be deemed to be additional rent fully due and payable on demand from LESSOR.

W. LESSEE'S COMPLIANCE WITH APPLICABLE LAWS AND RULES

- 1.1 Full Compliance.** LESSEE'S use of the Premises shall fully comply with all applicable statutes, ordinances, rules, regulations and laws of federal, state and local governmental authorities. LESSEE shall comply with all applicable rules and regulations and standards promulgated by the State Land Board or the Idaho Department of Lands including, but not limited to, the Department's rules governing the installation of docks and other lake encroachments below the ordinary high water mark of any navigable lake.
- 1.2 No Waste or Nuisance.** LESSEE shall not use the leased premises in any manner that would constitute loss or waste, nor shall LESSEE allow the same to be committed thereon. LESSEE shall not do anything which will create a nuisance or a danger to persons or property.

X. MISCELLANEOUS

- 1.1 Modification.** This Lease may be modified only by a fully executed lease adjustment on a form as provided by LESSOR.
- 1.2 Parties Non-Discrimination.** The parties shall not discriminate against any person because of race, creed, religion, color, sex, national origin or disability.
- 1.3 Paragraph Headings.** The paragraph headings, titles and captions used in this Lease are for convenience only and are not part of the Lease.
- 1.4 Entire Agreement.** This Lease, including all exhibits or attachments attached hereto, contains the entire agreement between the parties concerning the subject matter hereof and supersedes any and all prior agreements. The execution of this Lease has not been induced by either party, or any agent of either party, by representations, promises or undertakings not expressed herein and, further, there are no collateral agreements, stipulations, covenants, promises, inducements or undertakings whatsoever between the respective parties concerning this Lease except those which are expressly contained herein. No other understanding, whether oral or written, whether

made prior to or contemporaneously with this Lease, shall be deemed to enlarge, limit, or otherwise effect the operation of this Lease. Provided, however, that the parties recognize that the Land Board decisions dated December 15, 1998, July 13, 1999, and September 14, 1999 have been specifically referenced and incorporated into this Lease.

- 1.5 Governing Law and Forum.** This Lease shall be construed in accordance with and governed by the laws of the State of Idaho. In addition, the parties consent to the venue and jurisdiction of Idaho State courts located in Ada County, Valley County, Kootenai County, or Bonner County in the event of any dispute with respect to this Lease.
- 1.6 Applicable Law.** This Lease is subject to all current and subsequently enacted statutes, rules, regulations and laws applicable to state endowment lands or this Lease. In addition, LESSEE shall comply with all applicable rules, regulations and laws of the State of Idaho or other governmental entities.
- 1.7 Binding on Heirs and Successors.** It is understood and agreed that all terms, covenants and conditions hereof shall be binding upon sublessees, assignees and LESSEE'S heirs, executors or successors in interest.
- 1.8 Severability.** In the event any provision of this Lease shall be held invalid or unenforceable according to law, for any reason whatsoever, then the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.
- 1.9 Counterparts.** This agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.
- 1.10 Conflict Applications.** This Lease is not subject to conflict application as provided in I.C. § 58-310A.

STATE OF IDAHO
DEPARTMENT OF LANDS
Cottage / Residence Site Lease

A. Objective:

To grant a lessee with an undue financial hardship an opportunity to defer rental increases to allow sufficient time to arrange for sale and assignment of the lease.

B. Eligibility:

Any lessee forced to sell due to escalating rental could ask for deferment of any increase in rental for a period of up to two years. Payment of deferred rent shall be due upon sale and assignment of the leasehold interest or at the expiration of the authorized deferment. The deferred rent will be subject to interest at the board rate.

C. Application:

1. The lessee must submit a letter of request including a sworn financial statement. The department may request additional information as needed.
2. Hardship claims must be submitted no later than October 1 of each year.

D. Deferment of Rent:

1. The Department of Lands (Department) is hereby authorized to extend the time of payment of such moneys for said leases annually not to exceed two (2) successive years: provided, that the applicant enters into an agreement with the Department to pay the interest on said amount of rent money from January first of the year which the same is otherwise due, to the date of payment, at the rate per annum set by the State Board of Land Commissioners (Idaho Code §58-305).
2. Authorization of the hardship claim will be agreed to in writing by means of an adjustment to the lease using the Department lease adjustment form.
3. Interest on the deferred amount will be charged at the rate as established by the State Board of Land Commissioners. The current rate is the average monthly rate for conventional mortgages as quoted in the federal review statistical releases. The rate is rounded down to the nearest one-quarter percent on the tenth of the month following the statistical releases.
4. Deferment would be on any increase in excess of the current year's rental.
5. Full payment of the deferred rent is required at the time of a lease assignment or at the expiration of the granted deferred time frame.

E. Additional extensions may be considered by the Department on a case by case basis.

STATE OF IDAHO
Department of Lands
RESIDENCE SITE LEASE
ATTACHMENT C
Valuation Appeal Procedure

APPEAL PROCEDURES

1. If an appraised valuation of a property is not acceptable to a cottage site Lessee, the Lessee may submit a written appeal to the Director of the Idaho Department of Lands. The Department will provide a 180-day notice (by July 1st) to Lessees regarding appraisals resulting in a change in annual rent. Lessees will have until December 15th of that year to submit an appeal to the Director. The appeal process shall adhere to the following guidelines:
 - a. The Director of the Idaho Department of Lands or his designee will review the appeal and make a decision based on the merits of the appeal.
 - b. The Director will issue a decision and provide the results via certified mail to the Lessee.